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SIPDIS

DEPT FOR EB/TPP/MTA/IPC SWILSON
DEPT PASS USTR FOR SCHANDLER AND KSHIGATOMI
USDOC FOR USPTO - URBAN

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SUBJECT: CANADIAN PATENTS: MAINTENANCE FEE APPEAL UPHOLDS
PATENT PROTECTION

REF: LAITINEN/CHANDLER EMAILS

[1](#)1. Summary - A March 2003 Canadian Federal Court decision upholds an appeal to protect the patent rights of companies that had inadvertently paid incorrect annual maintenance fees and attempted to correct the mistake through subsequent "top-up" fees. The judge determined that the appropriate annual maintenance fee throughout the life of the patent will depend on size of an entity at the time a patent application is filed, and does not need to be redetermined each year to account for the company's growth. The Canadian Intellectual Property Office is reviewing the court decision and is expected to publish official guidance within the next couple of weeks. This is a victory for U.S. entities that were concerned that their Canadian patent rights would be deemed irrevocably abandoned due to past adjustments. End Summary.

--GOC REGULATIONS ON MAINTENANCE FEES--

[1](#)2. Under the Canadian Patent Act, a patent applicant or patentee must pay prescribed amounts, called maintenance fees, on an annual basis in order to keep the application or patent in good standing. In order to encourage small enterprises and promote innovation, the Patent Act permits "small entities" to pay reduced maintenance fees. Although the patent rules are complex, generally speaking a small entity is defined as an entity that employees 50 or fewer employees or that is a university.

[1](#)3. The Canadian Intellectual Property Office (CIPO) handles the administration and processing of patents and other intellectual property, but patent owners bear the onus of determining their own entity status, and must accordingly pay the appropriate fee to CIPO based on this determination. According to the patent rules, failure to pay the appropriate maintenance fee results in the patent being deemed abandoned at which point the patentee has twelve months to reinstate such rights. Failure to reinstate within the statutory period results in the irrevocable loss of the patent rights. The regulations are clear and have been consistently applied when entities fail to pay any fees within the statutory period. The regulations do not address the situation whereby a "large entity" inadvertently determines that it qualifies as a "small entity," or grows in size without correspondingly adjusting its annual payments. There is no penalty if an entity overpays.

[1](#)4. It had been the long-standing policy of CIPO to accept "top-up" maintenance fee payments from companies to correct underpaid submissions. A patent holder who notified CIPO that its entity status had changed from small to large could, at any time, correct an originally insufficient payment by paying the difference between the small and large entity fees for the years that payments had been incorrectly made. Under this practice the payment of a small entity fee when a large entity fee was required did not trigger a "deemed abandonment" determination of the patent rights.

--2001 JUDICIAL DECISION CHANGES CIPO PRACTICE--

[1](#)5. An August 2001 Federal Court of Canada decision put a stop to the practice of allowing "top-up" fees after the twelve-month reinstatement period. In the dispute between Dutch Industries and Barton No-Till Disk Inc/Flexi-Coil Ltd., the judge ruled that CIPO had no jurisdiction to "accept corrective payments on account of the failure to pay the prescribed maintenance fees within the required time." CIPO issued an official notice on September 24, 2001, stating that they would "not accept any corrective payments which are submitted after a due date." Patent holders who had previously made "top-up" payments to correct errors in the determination of their entity status risked losing their patent rights. Barton and Flexi-coil appealed the decision.

--APPEAL UPHELD: TOPPING-UP NOT NECESSARY--

[1](#)6. On March 7, 2003 a Federal judge upheld the appeal on the grounds that the original decision was based on the incorrect premise that the size of an entity must be redetermined whenever a maintenance fee is due. She ruled that "a person

who meets the definition of small entity, when the patent regime is first engaged maintains that status in relation to that patent application and any resulting patent throughout its term." If a company expands beyond the definition for a "small entity" it is still only required to pay maintenance fees for its original scale (small entity), and does not need to "top-up" to account for its growth. If, however, a company inadvertently applies for its original patent application as a "small entity" when it is actually large, then its patent will be deemed to have been abandoned from the beginning. Copies of the Court's decision can be found on the web at: <http://decisions.fct-cf.gc.ca/fct/2003/2003fc all21.html>.

17. CIP0 is currently reviewing the appeal decision and expects to publish an official notice regarding changes in procedure within the next few weeks. CIP0 officials told Econoff that although they are still digesting the details of the ruling, the decision clarifies that the appropriate maintenance fee throughout the life of the patent will depend on size of an entity at the time a patent application is filed, and does not need be redetermined each year to account for the companies growth. This is a victory for entities that faced the potentially catastrophic consequences of having their patent rights deemed "irrevocably abandoned" due to past adjustments.

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